

FINAL REPORT: EXECUTIVE SUMMARY  
THE COOPER UNION REVENUE TASK FORCE

May 21, 2012

Dear President Bharucha:

The Revenue Task Force wishes to commend your leadership in confronting Cooper Union's financial crisis head-on by engaging the community at large in the search for solutions, and by inviting Cooper Union alumni, students, faculty and administrators to work together on the Revenue Task Force and the Expense Reduction Task Force.

The challenges are difficult and the solutions are uncertain, but the Revenue Task Force is united in its goal of preserving Cooper Union's essence, as well as strengthening it as a beacon for higher education in the 21<sup>st</sup> century.

To that end, the Revenue Task Force has drawn up a number of recommendations. While a "hybrid model" of expanded academic and professional programs, discussed below, has already received support by the administration and trustees, it is essential for the community at large to understand that such new programs are but one piece of a complex and integrated whole.

Alongside its revenue-generating potential, this hybrid model could serve as a transformative catalyst for The Cooper Union as it creates its future.

The following items comprise an executive summary of the task force's recommendations. A fuller document, which will include additional details on the recommendations as well as proposals that have been offered by the community, will be forthcoming in the next few weeks.

Beyond Material Concerns

At its first meeting, on January 17, 2012, the task force recognized its charge of identifying \$16,000,000 in sustainable new revenue streams by FY 2018 as a potential challenge to Cooper Union's fundamental ideals. It also recognized that the institution could neither sit still nor retrench, but must reaffirm its principles in a 21<sup>st</sup>-century context.

In other words, might the challenge of securing the college's material future be harnessed to renewing its legacy of access and "education equal to the best"? Might there be a solution as progressive as The Cooper Union's founding principles?

The task force was guided by an overriding concern to preserve Cooper's merit-based full-tuition scholarship policy for undergraduates in its three core programs of art, architecture and engineering.

This commitment is not a holdover from an earlier era of expanded access, but a paradigm for undergraduate education nationwide. It is not without irony that the "hybrid model" was announced on the same day that student loan debt in the United States reached \$1 trillion.

### Protecting a Social Good

The Cooper Union has had to take many steps over the past forty years to maintain its full-tuition scholarship policy, including selling assets, frequent cost-cutting and funding large operating deficits from its endowment.

A master financial plan was developed in 2006 to set the college on a more stable footing, but its goals were not satisfactorily achieved:

- The college's investment portfolio underperformed in the 2008-2009 financial crisis.
- Overall donations and a capital campaign fell short of projections.
- Projected reductions in operating expenses were not achieved.

Despite these financial challenges, the Revenue Task Force reached a majority opinion that the good embodied in merit-based full-tuition scholarships for undergraduates outweighed all other considerations except the institution's survival.

It was argued that a baccalaureate degree is a decisive turning point in an individual's life, with immeasurable personal and social value.

A Cooper Union student's ability to achieve his/her degree as a member of a meritocracy outside of higher education's conventional consumer model has far-reaching creative, cultural, economic and political consequences.

This twinned commitment to access and excellence is not only the key to our community's accomplishments inside its classrooms, laboratories, and studios; it is also a model for the field of higher education as a whole.

Full-tuition scholarships are not simply a part of a 110-year tradition at Cooper Union, but a counterweight to the crisis in American higher education, one in which crippling costs, divestment in public funds, and ever-decreasing avenues of access are becoming the new normal.

With these principles in mind, the Cooper Union Revenue Task Force recommends the pursuit of new revenue streams across the following areas:

- A Hybrid Model of Educational Programs
- Optimizing Real Estate
- A Culture of Innovation
- Engagement of Students, Alumni and Parents
- Reinvigorated Outreach to the New York City / Broader Philanthropic Communities

Each of these concepts comes with its own set of obstacles, risks, and potential revenue. Details are listed below, with a full discussion forthcoming in the next few weeks.

## THE HYBRID MODEL

The hybrid model is designed to support the full-tuition scholarship policy in the three professional undergraduate schools through a network of fee-based pre-college, professional, certificate and graduate programs, and potentially new institutes and new forms of civic engagement.

Based on the conviction that The Cooper Union is best able to ensure its future by activating and intensifying the potential of its existing programs, the hybrid model is intended to advance the college's interdisciplinary engagement of art and science in order to engender new modes of teaching and new models of technology and design.

New academic programs cannot be developed without faculty input and approval. The full engagement of the faculty must be achieved as soon as possible in order for this model to succeed.

The hybrid model can run in a variety of configurations, offering multiple opportunities for educational and professional advancement. Its distinguishing characteristics would be flexibility and breadth.

The task force recommends that a broad range of revenue-generating programs be investigated and developed with the participation and consultation of the respective faculties. These include but are not necessarily limited to the following:

- Pre-college programs and summer intensives for high school students
- Post-baccalaureate non-degree programs
- Online courses and partnerships
- Master's degree programs in Art, Architecture and Engineering
- Summer master classes and intensives for professionals
- Professional development courses
- Certificate programs

### Graduate Cross-Disciplinary Institute

The task force discussed the potential for cross-disciplinary engagement. One recommendation is for a new graduate institute that would combine the strengths of Cooper Union's programs in art, architecture and engineering.

Such an institute could embody the vision of an integrated study of design, which has been the

goal of many within the Cooper Union community for years, focusing on the transformative potential of collaboration and integration, as well as local and international partnerships. Fields of study could include such areas as engineering leadership, new composites and materials, and urban ecology, among others.

Although the task force understands that such an entity could take years to develop, it also recognizes that crises can sometimes disrupt institutional conventions and accelerate a process of evolution already underway. The group believes that this is an opportunity not to be missed.

### Outcomes and Concerns

- Preliminary analysis of master's programs in the three schools – which assumes 180 graduate students during the academic year and an additional 92 during summer intersession – estimated a yield of approximately \$4-4.5 million in net annual revenues by FY 2018, with startup costs of about \$1 million through FY 2014.
- Pre-college, summer master classes, post-baccalaureate courses, workshops and professional/certificate programs are currently being sized.

One preliminary art pre-college model provides \$200,000 of net revenue in FY 2014 before ramping up to approximately \$700,000 of net revenue in FY 2018. This model is based on a fall/spring/summer structure with a maximum of 120 students onsite (summer session) at a given time.

- A cross-disciplinary graduate institute, which could include as many as four areas of concentration, is estimated to yield \$2.5-3 million in net annual revenues by FY 2018, with start-up costs of about \$3 million through FY 2014. The start-up costs include establishing a separate location and facilities for approximately 300 students.
- New academic programs and curricular offerings will require new or reconfigured space depending on the program. The task force recommends a thorough analysis of the allocation of academic space throughout the institution so that, wherever possible, new programs can make use of existing space. Space is limited and needs to be properly assessed.

For example, as mentioned above, the master's programs in the three schools are modeled to accommodate approximately 180 graduate students sharing space during the academic year with undergraduates, with an additional 92 students on campus during the summer months.

The graduate institute is currently modeled as a degree-granting entity enrolling about 300 students in total, with space rented off-site. However, startup costs would be significantly lower if the graduate institute began within the existing physical plant and expanded into its own space over time.

Current room use should be evaluated in consultation with Cooper Union staff and

faculty and with the assistance of dynamic scheduling software, which can help increase optimal use of space during the regular academic year as well as intersessions; Sunday mornings (year-round) and summer weekends should be included in future scheduling plans.

Such scheduling software should coordinate space allocations based on academic priorities, including public programs and exhibition needs, the availability of professional adjunct faculty, the requirements of community outreach programs, and other variables.

- New graduate degrees will require registration with the State of New York and may require additional accreditation. This process can take two years or more.
- Online partnerships and courses will continue to be explored by the task force and administration.

## OPTIMIZING REAL ESTATE

A review was made of the revenue potential of Cooper Union properties with the conclusion that Cooper retain the services of a consultant on a formal basis (which might be without initial cost if contingent) to assess the following options:

### Dormitory

The dormitory currently generates sufficient income to cover expenses and some indirect costs. Constructed in the 1990s, it offers housing to 178 first-year students, enabling Cooper to expand its applicant pool and advance the institution from a commuter school to one with a high national and international profile.

Nonetheless, there are questions about whether a Cooper-owned dormitory is still in the college's best strategic interest, given the opportunities available through companies such as Educational Housing Services (EHS).

Alternate uses include reconfiguring the dormitory for offices (which may require rezoning), replacing 30 Cooper Square, or selling it. It should be mentioned that Cooper does not own the building's first two floors, an arrangement that would complicate any potential sale.

### Library

It has been suggested that the space now occupied by the library would be put to better use by renting it as retail space or renovating it to accommodate new revenue-generating programs.

- An evaluation should be undertaken to determine the physical requirements of the library and whether its essential resources can be relocated to less valuable space on campus, giving careful consideration to the requirements of the professional accreditation boards,

the research needs of proposed graduate programs, as well as the obligations of its consortium agreement with NYU.

### Event Rentals

- Rental of the Great Hall and Rose auditorium should be optimized by an alliance with a promoter to assure that the facilities are used when available and that the rental rates are competitive with comparable spaces.
- Any unused space should be considered for rent as long as Cooper's educational mission, public safety and institutional liability are not compromised.

### A CULTURE OF INNOVATION

A review was made of the revenue potential from intellectual property generated at Cooper Union, including startups and patents, with the following conclusions:

- Research that leads to intellectual property (IP) and tech transfer requires a long lead time and steep investment, considerable skill and some luck.
- Therefore, IP and tech transfer is not the path to a reliable sustainable revenue stream. However, the principles embodied by innovation and entrepreneurship are the essence of Cooper, and steps should be taken to catalyze this kind of thinking.

### ENGAGEMENT OF STUDENTS, ALUMNI AND PARENTS

The social responsibility of students, alumni, and parents who have benefited from the full-tuition scholarship policy needs to be addressed.

- For current students, a modified version of the plan being explored by the University of California, Riverside, should be considered. For example, graduates would agree to a lifetime pledge of 2% of after tax adjusted gross income.
- For alumni, a reciprocal pledge should be requested, as well as a catch-up and bequest program to include Cooper in their estate planning.
- For parents of current students and of alumni, the same reciprocal pledge should be requested, as well as a catch-up and bequest program to include Cooper in their estate planning.
- Student fees at Cooper Union have been low, and constant, for many years. Increases tied to inflation are justified and necessary.

## REINVIGORATED OUTREACH

While development was technically outside the scope of this task force, the “hybrid” plan cannot succeed without a significant increase in philanthropic giving to the school. The Cooper Union has proven itself to be a significant asset to the physical development, cultural life and entrepreneurial spirit of New York City.

It is critical that The Cooper Union fully engage the philanthropic community of New York at this time of unprecedented personal wealth for so many of its citizens, as well as the broader philanthropic community nationwide.

## NEXT STEPS

The Cooper Union’s culture has always been one of community, civil debate and constructive critique. Today, Cooper needs to affirm those bonds and values more than ever.

Cooper Union as a school and as a model for peer institutions will not survive and flourish unless a unity is forged among all of the parties who are most concerned about its future. The next steps for the Revenue Task Force include a full evaluation of the range of proposals put forward by the Cooper Community. These ideas will be assessed against the evaluative criteria that the task force has used to test its own recommendations.

All solutions must realistically take into account the scope of the current crisis while supporting Cooper’s ideals and commitment to the highest educational standards. It is a difficult but not impossible path, and one that could lead to a more significant role for The Cooper Union in New York City and the world.

### The Necessity of a Sound Financial Plan

It is clear that Cooper Union’s policy of merit-based full-tuition scholarships cannot be sustained indefinitely without improvement to its financial position. Prospective and incoming students deserve a complete accounting of the status of the scholarship policy. Currently, full-tuition scholarships are guaranteed for the incoming classes of September 2012 and September 2013.

The Revenue Task Force urges the Board of Trustees to fortify its stewardship of the full-tuition scholarship policy by adhering to the following steps:

- Create a new 10-year financial plan that incorporates risk-adjusted revenue projections and anticipated expense budgets with the help of independent financial experts.
- Ensure that annual financial obligations assumed by the school remain consistent with Cooper’s long-term viability.
- Clarify the financial obligations anticipated over the four-year tenure of each incoming class prior to acceptance.

- Re-evaluate the plan annually.

### A Single, United Community

The Revenue Task Force wishes to acknowledge, thank and commend the community members who have put a tremendous amount of work into developing potential solutions to Cooper Union's financial crisis.

The program of meetings organized by the Friends of Cooper Union has been particularly extensive and yielded a set of thoughtful recommendations. The Revenue Task Force also requested suggestions and proposals from the Cooper Community, many of which were submitted through the *Reinvention* site of cooper.edu.

These proposals are currently being vetted. The Revenue Task Force will incorporate this work into its complete set of recommendations, which will be forthcoming in the following weeks.

As it details its final recommendations, the Revenue Task Force seeks a process with which it might enter into a productive dialogue with the Friends of Cooper Union, the faculty, and alumni at large, establishing a common ground upon which to move ahead as a single, united community.

Respectfully submitted,

THE COOPER UNION REVENUE TASK FORCE

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